

PALM HILLS DEVELOPMENTS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Three Months Ended 31 March 2017
Together With Review Report

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED FINANCIAL POSITION

As of 31 March 2017

	<u>Note no.</u>	<u>31/03/2017</u> <u>EGP</u>	<u>31/12/2016</u> <u>EGP</u>
<u>Non-current assets</u>			
Investments in associates	(8c,11b,29)	78 511 962	79 225 699
Investment property	(11f, 30)	888 068 686	888 506 292
Notes receivable - long term	(16-32)	8 951 998 655	7 300 039 694
Projects under construction	(12-33)	875 339 163	877 766 742
Advance payments for investments acquisition	(41)	184 335 633	184 335 633
Fixed assets (net)	(13-34)	348 887 262	351 608 405
Deferred tax assets	(22b)	10 202 066	10 302 108
Employee stock ownership plan (ESOP)		78 175 601	81 286 779
Other long term assets		1 390 733	1 390 733
Total non-current assets		11 416 909 761	9 774 462 085
<u>Current assets</u>			
Works in process	(14-35)	8 571 015 082	6 410 745 955
Held-to-maturity investments	(11d -31)	209 711 987	153 328 081
Cash and cash equivalents	(28-36)	747 557 358	808 516 570
Notes receivable - short term	(16-32)	2 860 340 557	3 295 528 203
Investments at fair value through profit and loss	(11e)	48 081 281	58 471 043
Accounts receivable	(37)	826 639 469	757 056 711
Suppliers - advance payments		524 238 852	489 064 327
Debtors and other debit balances	(38)	300 888 953	218 476 677
Guaranteed payments – joint arrangement	(39)	48 331 289	40 000 000
Due from related parties	(25-40-60)	248 100 321	244 124 840
Total current assets		14 384 905 149	12 475 312 407
<u>Current liabilities</u>			
Banks - credit balances	(42)	141 208 129	42 176 487
Bank- over draft	(43)	178 309 031	79 410 353
Advances from customers	(44)	8 820 983 241	7 744 755 120
Completion of infrastructure liabilities	(20)	95 083 416	95 083 418
Provisions	(18)	172 922 185	169 386 850
Current portion of land purchase liabilities	(19-45)	70 130 286	60 651 029
Investment purchase liabilities	(47)	44 256 746	44 256 746
Notes payable - short term	(48a)	1 006 729 266	974 301 860
Current portion of term loans	(49)	259 160 762	541 014 619
Suppliers & contractors		370 972 679	448 465 529
Income tax payable	(22a)	185 426 317	126 628 749
Creditors & other credit balances	(50)	618 892 951	522 256 001
Due to joint arrangement partners		428 008 686	160 424 409
Due to related parties	(25-46-60)	120 401 003	131 333 860
Total current liabilities		12 512 484 698	11 140 145 030
Working capital		1 872 420 451	1 335 167 377
Total investment		13 289 330 212	11 109 629 462
<u>Financed as follows:</u>			
<u>Shareholders' equity</u>			
Share capital	(51)	4 617 899 452	4 617 899 452
Legal reserve	(53a)	679 715 717	630 142 410
Special reserve	(53b)	524 212 885	524 212 885
ESOP Re-Measurement Reserve		32 198 484	31 492 645
Retained earnings		277 588 997	(222 478 993)
Net profit for the period / year		212 308 323	639 795 380
Equity attributable to equity holders of the parent		6 343 923 858	6 221 063 779
Non-controlling interest		427 120 131	412 151 516
Total shareholders' equity		6 771 043 989	6 633 215 295
<u>Non-current liabilities</u>			
Land purchase liabilities	(19-45)	154 726 644	169 799 525
Notes payable - long term	(48b)	2 076 774 598	612 700 591
Other long term liabilities – Residents' Association	(52)	820 437 809	736 444 356
Loans	(49)	3 466 347 172	2 957 469 695
Total non-current liabilities		6 518 286 223	4 476 414 167
Total equity and non-current liabilities		13 289 330 212	11 109 629 462

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer

Ali Thabet

Chairman

Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)
For The Period Ended 31 March 2017

	<u>Note No.</u>	<u>31 March 2017 EGP</u>	<u>31 March 2016 EGP</u>
Revenues	(27a, 54)	<u>1 588 960 591</u>	<u>1 079 610 044</u>
		1 588 960 591	1 079 610 044
Deduct:-			
Cost of revenues	(26, 55)	1 070 393 925	755 826 511
Cash discount		<u>30 152 334</u>	<u>15 785 288</u>
Gross profit		<u>488 414 332</u>	<u>307 998 245</u>
Deduct:-			
General administrative, selling and marketing expenses	(56)	164 257 490	117 354 859
Administrative depreciation		4 781 370	2 640 870
Interest on land purchase liabilities		10 171 024	25 151 025
Recoverable interest on land purchase liabilities		(82 824 383)	--
Provision		2 985 068	607 361
Securitization of receivables interest		91 726 158	--
Finance costs & interests		<u>35 567 296</u>	<u>5 123 348</u>
		<u>226 664 023</u>	<u>150 877 463</u>
<u>Add:</u>			
Interest income – amortization of discount on notes receivables		16 797 815	11 515 295
Gains on investments in fair value through profit or loss	(57)	1 544 071	1 415 201
Interest income on held-to-maturity investments		<u>13 601 136</u>	<u>25 747 560</u>
Other revenues		<u>31 943 022</u>	<u>38 678 056</u>
		293 693 331	195 798 838
Net profit for the year before income tax & non-controlling interest			
Deduct:-			
Income tax expense	(22a)	59 929 240	45 907 927
Deferred tax	(22b)	<u>72 021</u>	--
Net profit for the period before & non-controlling interest		233 692 070	149 890 911
Deduct:-			
Non-controlling interest share- subsidiaries		<u>21 383 747</u>	<u>44 463 733</u>
Net profit for the period after income tax & non-controlling interest		<u>212 308 323</u>	<u>105 427 178</u>
Earnings per share	(24, 59)	<u>0.079</u>	<u>0.039</u>

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Period Ended 31 March 2017

	<u>Note</u> <u>No.</u>	31 March 2017 <u>EGP</u>	31 March 2016 <u>EGP</u>
Net profit for the year		233 692 070	149 890 911
Other comprehensive income		--	--
Total comprehensive income for the year, net of tax		<u>233 692 070</u>	<u>149 890 911</u>
Attributable to:			
Equity holders of the parent		212 308 323	105 427 178
Non-controlling interests		21 383 747	44 463 733
		<u>233 692 070</u>	<u>149 890 911</u>

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Period Ended 31 March 2017

	<u>Note No.</u>	<u>31/03/2017</u>	<u>31/03/2016</u>
		<u>EGP</u>	<u>EGP</u>
Net profit for the year before income tax & non-controlling interest		293 693 332	195 798 838
<u>Adjustments to reconcile net profit to net cash from operating activities</u>			
Administrative depreciation	(34)	8 619 066	6 046 687
Interest on land purchase liabilities		10 171 024	25 151 025
Provision formed		2 985 068	607 361
Securitization of receivables interest		91 726 158	--
Finance costs & interests		35 567 296	5 123 348
Share of profit / loss of associates	(29)	713 737	1 670 258
Gain on disposal of fixed assets		--	(61)
Gains on investments in fair value through profit or loss		(1 544 071)	(1 415 201)
Interest income on held to maturity investments		(13 601 136)	(25 747 558)
Interest income – amortization of discount on notes receivables	(32)	(16 797 815)	(11 515 295)
Interest expenses – amortization of discount on land liability		<u>(82 824 383)</u>	<u>--</u>
Operating profit before changes in working capital items		328 708 276	195 719 402
<u>Changes in working capital items</u>			
Change in work in process	(14-35)	(2 080 896 007)	(211 901 190)
Change in notes receivables	(16-32)	(1 199 973 499)	(382 367 784)
Change in investments in fair value through profit or loss	(11e)	10 389 762	(3 821 361)
Change in held-to-maturity investments		(56 383 906)	223 038 984
Change in accounts receivable	(37)	(69 482 758)	28 037 113
Change in suppliers - advance payments		(35 174 522)	59 636 569
Change in debtors & other debit balances	(38)	(82 412 276)	(80 632 666)
Change in due from related parties	(25-40)	(4 075 483)	(26 117 719)
Change in advances from customers	(44)	1 076 228 121	70 453 079
Change in completion of infrastructure liabilities	(20)	--	(29 406 216)
Provisions		550 267	(115 155)
Change in due to related parties	(25-46)	(10 932 857)	28 319 279
Change in guaranteed payments – joint arrangement	(39)	(8 331 289)	(90 000 000)
Change in notes payable	(48)	1 486 330 389	380 267 584
Change in suppliers & contractors		(77 492 849)	(138 689 769)
Income tax paid		(1 131 672)	(11 168 892)
Change in creditors and other credit balances	(50)	96 636 950	(20 659 811)
Due to joint arrangement partners		267 584 277	--
Change in other long term – Residents' Association		83 993 451	31 361 706
Net cash (used in) provided by operating activities		<u>(275 865 625)</u>	<u>21 953 154</u>
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets	(34)	(7 602 680)	(9 020 053)
Proceeds from sale of fixed assets	(34)	--	5 588
payments for projects under construction	(12-33)	2 427 578	(20 766 706)
Proceeds from investments in fair value through profit or loss		1 544 071	1 415 201
Interest income		13 601 136	25 747 558
Net cash provided by (used in) investing activities		<u>9 970 105</u>	<u>(2 618 412)</u>
<u>Cash flows from financing activities</u>			
Banks - credit balances	(42)	99 031 642	(2 821 602)
Banks – overdraft		98 898 677	(3 343 517)
Adjustments to retained earnings		(90 154 082)	(40 305 363)
Proceeds from ESOP		3 817 017	--
Non-controlling interest – dividends		(6 415 133)	(4 089 108)
Deferred tax		28 021	42 730
Dividends		--	(38 780 418)
Proceeds from loans	(49)	227 023 621	386 318 471
		(91 726 158)	--
Finance costs & interests		(35 567 296)	(5 123 348)
Net cash (used in) provided by financing activities		<u>204 936 309</u>	<u>291 897 845</u>
Net increase in cash and cash equivalents during the year		<u>(60 959 212)</u>	<u>311 232 587</u>
Cash and cash equivalents at beginning of the year		<u>808 516 570</u>	<u>965 669 547</u>
Cash and cash equivalents as at 31 March 2017	(28-36)	<u>747 557 358</u>	<u>1 276 902 134</u>

- Non- Cash transactions are excluded from the cash flow statement.
- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Period Ended 31 March 2017

<u>Note No.</u>	<u>Share capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Bonus share</u>	<u>Reserve for ESOP re-measurement</u>	<u>Retained earnings</u>	<u>Net profit for the period</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total Shareholders' equity</u>
Balance as at 1 January 2016	4 344 640 000	585 103 921	524 212 885	--	--	(171 750 887)	1 031 492 706	6 313 698 625	270 774 426	6 584 473 051
Cumulative impact for adoption of new accounting policies	--	--	--	--	--	(40 640 236)	(115 929 426)	(156 569 662)	--	(156 569 662)
Balance as at 1 January 2016	4 344 640 000	585 103 921	524 212 885	--	--	(212 391 123)	915 563 280	6 157 128 963	270 774 426	6 427 903 389
Transferred to retained earnings	--	--	--	--	--	915 563 280	(915 563 280)	--	--	--
Adjustments to retained earnings	--	--	--	--	--	(40 305 364)	--	(40 305 364)	--	(40 305 364)
Bonus share	--	--	--	219 899 974	--	(219 899 974)	--	--	--	--
Transferred to legal reserve	--	39 798 483	--	--	--	(39 798 483)	--	--	--	--
Capital increase out of retained earnings	53 359 478	--	--	--	--	(53 359 478)	--	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	--	--	53 359 478	--	53 359 478	--	53 359 478
Reserve for ESOP re-measurement	--	--	--	--	24 011 765	--	--	24 011 765	--	24 011 765
Dividends	--	--	--	--	--	(368 630 379)	--	(368 630 379)	(4 089 109)	(372 719 488)
Net profit for the period	--	--	--	--	--	--	105 427 178	105 427 178	44 463 733	149 890 911
Balance as at 31 March 2016	4 397 999 478	624 902 404	524 212 885	219 899 974	24 011 765	34 537 957	105 427 178	5 930 991 641	311 149 050	6 242 140 691
Balance as at 1 January 2017	4 617 899 452	630 142 410	524 212 885	--	31 492 645	(222 478 994)	639 795 380	6 221 063 779	412 151 516	6 633 215 294
Transferred to retained earnings	--	--	--	--	--	639 795 380	(639 795 380)	--	--	--
Transferred to legal reserve	--	49 573 307	--	--	--	(49 573 307)	--	--	--	--
Reserve for ESOP re-measurement	--	--	--	--	705 839	--	--	705 839	--	705 839
Adjustments to retained earnings	--	--	--	--	--	(90 154 082)	--	(90 154 082)	--	(90 154 082)
Dividends	--	--	--	--	--	--	--	--	(6 415 133)	(6 415 133)
Net profit for the period	--	--	--	--	--	--	212 308 323	212 308 323	21 383 747	233 692 070
Balance as at 31 March 2017	4 617 899 452	679 715 717	524 212 885	--	32 198 484	277 588 997	212 308 323	6 343 923 858	427 120 131	6 771 043 989

-The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

Palm Hills Developments Company
(S.A.E)
Notes to the Consolidated
Financial Statements as of 31 March 2017

1. BACKGROUND

Palm Hills for Developments Company (S.A.E) was established according to the Investment Incentives and Guarantees Law No. 8 of 1997 and the Companies Law No. 159 of 1981 and their executive regulations, taking into consideration the Capital Market Law No. 95 of 1992 and its executive regulations.

2. COMPANY'S PURPOSE

The company's purpose is to invest in real estate in the New Cities and New Urban Communities including building, constructing, owning and managing residential compounds, resorts, villas and touristic villages, selling and the resale and associated services and facilities, leasing and the construction of integrated projects along with managing the entertainment activities associated with the company's in activities. All such activities are subject to the approval of appropriate authorities.

3. The Company's Location

The company's head office is located at the 6th of October City in the Giza Governorate and the main branch is located in the Smart Village.

4. COMMERCIAL REGISTER

The company is registered in the Commercial Register under No. 6801 dated 10 January 2005.

5. FINANCIAL YEAR

The company's financial year begins on 1 January and ends on 31 December, except for the first financial year which began as from the date of commencement of activity and ended on December 31, 2012.

6. AUTHORIZATION OF THE FINANCIAL STATEMENTS

The standalone financial statements were authorized for issue by the board of directors on 9 May 2017.

7. STOCK EXCHANGE LISTING

The company was listed in the unofficial schedule no. (2) of the Cairo and Alexandria Stock Exchange on 27 December 2006 and then listed in the official schedule no. (1) of the Cairo and Alexandria Stock Exchange on April 2008.

8. EXISTING PROJECTS

The company has several major activities for the development of new urban communities and tourist compounds through:

a) Building and constructing residential compounds

The objective of the company is to contribute in building integrated residential units, providing associated services, and entertainment complexes, while the Company possesses a large land bank which includes land with a total area of 1,390.80 acres approx. located at 6th October City, land with a total area of 456.84 acres approx. located at New Cairo City, land measuring a total area of .323749 acres approx. which is located at Sidi Abdel Rahman, El Alamin, Marsa Matrouh Governorate, land with a total area of 22. 68 acres approx. located at Hurghada.

b) Other activity

According to a preliminary contract with a related party, the Company obtained a plot of land measuring approximately 1702.79 acres situated 49 Kms from the beginning of the Cairo-Alexandria Road to be transformed into Botanical Gardens by reclamation and cultivation using modern irrigation methods.

c) Investments in associates and subsidiaries

1- Direct investments in associates and subsidiaries

	<u>Percentage share</u>
	<u>%</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	% 99.99
Gawda for Trade Services S.A.E	%99.996
New Cairo for Real Estate Developments S.A.E	%99.985
Rakeen Egypt for Real Estate Investment S.A.E	%99.9454
Palm for Real Estate Development S.A.E	99.4%
Palm for Investment & Real Estate Development S.A.E	99.4%
Palm Hills Development of Tourism and Real Estate S.A.E	99.4%
Palm Hills for Tourism Investment S.A.E	99.4%
Palm Hills Resorts S.A.E	99.4%
Palm for Urban Development S.A.E	99.4%
Palm Hills Properties S.A.E	99.2%
United Engineering for Construction S.A.E	98.88%
Palm Hills Hospitality S.A.E	%98
East New Cairo for Real Estate Development S.A.E	%89
Macor for Securities Investment Company S.A.E	%60
Al Naeem for Hotels and Touristic Villages S.A.E	%60
Gamsha for Tourist Development S.A.E	%59
Royal Gardens for Real Estate Investment Company S.A.E	%51
Nile Palm Al-Naeem for Real Estate Development S.A.E	%51
Saudi Urban Development Company S.A.E	%51
Coldwell Banker Palm Hills for Real Estate	%49
Six of October for Hotels and Touristic Services Company S.A.E	%00.24

- **Palm Hills Middle East Company for Real Estate Investment S.A.E. and Its Subsidiary**

Palm Hills Middle East Company for Real Estate Investment S.A.E. is engaged in real estate investment in new cities and urban communities, and also the construction, ownership and management of residential compounds, resorts, and villas. The company and its subsidiary are also involved in the sale and lease and other related services for managing integrated projects and entertainment activities.

- The company is registered in Egypt under commercial registration number 21091. The company's subsidiary is registered in Egypt under commercial registration number 25016. Both companies are registered under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital/ Market Law No. 95 of 1992.

- **Gawda for Trade Services S.A.E**

Gawda for Trade Services S.A.E is registered in Egypt under commercial registration number 10242 under the provisions of the Companies' Law No 159 of 1981. The company is located at 66 Gameat El-Dewal El Arabia Street-Mohandessin- Cairo. The company is engaged in real estate investment in new cities, urban communities, remote areas and regions.

- **New Cairo for Real Estate Developments S.A.E**

New Cairo for Real Estate Development S.A.E. is registered in Egypt under commercial registration number 12613 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the Capital Market Law No. 95 of 1992. The company is located in plot 36 South investors' area in new Cairo. The company is engaged in construction, management, and the sale of hotels, motels, buildings and residential compounds and the purchase, development, diving and sale of land.

- **Rakeen Egypt for Real Estate Investment S.A.E**

Rakeen Egypt for Real Estate Investment S.A.E is registered in Egypt under commercial registration number 34611 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6th of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land

acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.

- **Palm Hills Hospitality S.A.E**

Palm Hills Hospitality S.A.E is registered in Egypt under commercial registration number 45441 under the provisions of the Companies' Law No 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating hotels, motels, resorts and residential compounds.

- **East New Cairo for Real Estate Development S.A.E**

East New Cairo for Real Estate Development S.A.E was established under the name of Kappci Company for Real Estate and touristic Development S.A.E. according to law No. 159 of 1981 and its executive regulation and the company was registered under commercial registration No. 1429 of Ismailia at 20 March 2007.

- **Macor for Securities Investment Company S.A.E**

Macor for Securities Investment Company S.A.E was established in Egypt on 8 March 2000 under the provisions of Capital Market law No. 95 of 1992. The objective of the company is to contribute in the establishment or investment in the companies' securities especially the companies engaged in owning, renting and managing the hotels, motels and resorts.

- **Al Naeem for Hotels and Touristic Villages S.A.E**

Al Naeem for Hotels and Touristic Villages S.A.E is registered in Egypt under commercial registration number 32915 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6th of October City. The company is engaged in construction and operation of hotels in Hamata.

- **Gamsha for Tourist Development S.A.E**

Gamsha for Tourist Development S.A.E is registered in Egypt under commercial registration number 33955 under the provisions of the Companies' Law No 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in real estate investments in new cities, urban communities, remote areas and regions outside the old valley.

- **Royal Gardens for Real Estate Investment Company S.A.E.**

Royal Gardens for Real Estate Investment Company S.A.E. is registered in Egypt under commercial registration number 21574 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 11 El-Nakhil Street- Dokki-Giza.

The company is engaged in real estate investment in cities and new urban communities and the setup, execution, acquisition, and management of urban communities, resorts, villas and tourist villages through sale or lease. The company is also involved in all other types of related services such as finance leasing and construction.

- **Nile Palm Al-Naeem for Real Estate Development S.A.E**

Nile Palm Al-Naeem for Real Estate Development S.A.E is registered in Egypt under commercial registration number 27613 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 40 Lebanon Street-Mohandessin-Giza. The company is engaged in real estate investment in new cities and urban communities, and also in the construction, ownership and management of residential compounds, resorts, and villas.

- **Saudi Urban Development Company S.A.E**

Saudi Urban Development Company S.A.E is registered in Egypt under commercial registration number 1971 under the provisions of the Companies' Law No 159 of 1981. The company is located in 72 Gamet El- Dewal El Arabia Street- Mohandessin- Cairo. The company is engaged in the construction of advanced residential projects.

- **Coldwell Banker Palm Hills for Real Estate S.A.E**

Coldwell Banker Palm Hills for Real Estate S.A.E is registered in Egypt under commercial registration number 15970 on 17 August 2005 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

- **Palm October for Hotels S.A.E**

Palm October for Hotels S.A.E is registered in Egypt under commercial registration number 38357 under the provisions of the Companies' Law No 159 of 1981. The company is located at 11 El Nakhil Street- Dokki- Giza. The

company is engaged in establishing and operating hotels, motels, resorts and residential compounds.

- **United Engineering for Construction S.A.E**

United Engineering for Construction S.A.E is registered in Egypt under commercial registration number 56910 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is located at 40 Lebanon Street-Mohandessin-Giza. The company is engaged in construction.

- **Palm for Real Estate Development S.A.E**

Palm for Real Estate Development S.A.E is registered in Egypt under commercial registration number 83974 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

- **Palm Investment & Real Estate Development S.A.E**

Palm for Investment & Real Estate Development S.A.E is registered in Egypt under commercial registration number 85861 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

- **Palm Hills Properties S.A.E**

Palm Hills Properties S.A.E is registered in Egypt under commercial registration number 88228 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

- **Palm Hills Development of Tourism and Real Estate (PHTR)**

Palm Hills Development of Tourism and Real Estate S.A.E is registered in Egypt under commercial registration number 92998 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

- **Palm Hills for Tourism Investment (PHTI)**

Palm Hills for Tourism Investment S.A.E is registered in Egypt under commercial registration number **93156** under the provisions of the Companies'

Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

Palm Hills Resorts (PHR)

Palm Hills Resorts S.A.E is registered in Egypt under commercial registration number **93163** under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

Palm for Urban Development

Palm for Urban Development S.A.E is registered in Egypt under commercial registration number **99183** under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

The Company has not started its business yet.

- Middle East Company for Real Estate and Touristic Investment S.A.E

Middle East Company for Real Estate and Touristic Investment S.A.E is registered in Egypt under commercial registration number 25016 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981.

The company is engaged in real estate investment in cities and new urban communities and the setup, execution, acquisition, and management of urban communities, hotel apartment and tourist villages.

2- Indirect investments in associates and subsidiaries

	<u>Percentage</u> <u>share %</u>
Palm North Coast Hotels S.A.E	%97.412
Palm Gamsha Hotels S.A.E	%96.04
Middle East Company for Real Estate and Touristic Investment S.A.E	%87.50
East New Cairo for Real Estate Development S.A.E	%10.998

- Palm Gamsha Hotels S.A.E

Palm October Hotels S.A.E is registered in Egypt under commercial registration number 46193 under the provisions of the Companies' Law No 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The

company is engaged in establishing and operating the hotels, motels, resorts and residential compounds.

- Palm North Coast Hotels S.A.E

Palm October for Hotels S.A.E is registered in Egypt under commercial registration number 48189 under the provisions of the Companies' Law No 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating the hotels, motels, resorts and residential compounds.

- East New Cairo for Real Estate Development S.A.E

East New Cairo for Real Estate Development S.A.E was established under the name of Kappci Company for Real Estate and touristic Development S.A.E. according to law No. 159 of 1981 and its executive regulation and the company was registered under commercial registration No. 1429 of Ismailia at 20 March 2007.

9. STATEMENT OF COMPLIANCE

These consolidated financial statements of Palm Hills Developments and its subsidiaries (the 'group') were prepared in accordance with Egyptian Accounting Standards and following the same accounting policies applied for the preparation of the previous financial statements.

10. SIGNIFICANT ACCOUNTING POLICIES APPLIED

a) Basic of consolidated financial statements preparation

The Company's management is responsible for the preparation the financial statements. The consolidated financial statements are prepared in accordance with Egyptian Accounting Standards and related Egyptian Laws and regulations.

b) Basic of consolidation

The consolidated financial statements comprise the financial statements of Palm Hills Developments Company and its subsidiaries which are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The consolidated financial statements of Palm Hills Developments Company include its subsidiaries with the exception of the following:

	<u>Percentage</u> <u>share %</u>	<u>Nature</u>
Coldwell Banker Palm Hills for Real Estate	49%	Associate

c) Consolidation procedures

In preparing consolidated financial statements, the Company combines the financial statements of the parent company and its subsidiaries line-by-line by adding together like items of assets, liabilities, equity, income and expenses the following steps are then taken:

- 1- Consolidated financial statements shall be prepared using uniform accounting policies. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.
- 2- The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. The difference between the cost of acquisition and the Company share in the fair value of the assets and liabilities of the investee is accounted for as a positive goodwill or as a negative goodwill and to be recognized on the consolidated income statement.
- 3- Combining balances and items of balance sheet as well as statements of income, changes in equity and cash flows, taking into account the acquisition date of subsidiaries, appropriate adjustments are made to cost of revenue, work in process and projects under construction which resulting from applying the acquisition method to account for resultant goodwill.
- 4- Intergroup balances, transactions shall be eliminated in full.
- 5- Profits and losses resulting from intergroup transactions are eliminated in full unless such transactions were eliminated or transferred to a third party.
- 6- Non-controlling interests in the net equity and in net earnings of subsidiary companies are included in a separate item "non-controlling interest" in the consolidated financial statements.
- 7- A subsidiary company is not included in the consolidated financial statements if the holding company loses its control over the financial and operational policies in this subsidiary starting from the date that control ceases.

d) Business combination

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred

to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

e) Intangible assets

1- Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2- Other intangible assets

Intangible assets are non-monetary assets which are without physical substantive. Intangible assets arise from contractual or other legal rights and from which future economic benefits (inflows of cash or other assets) are expected to flow and can be measured reliably. Intangible assets are initially measured at cost and to be re-measured at each financial year-end at cost of acquisition less accumulated amortization and accumulated impairment losses, which represents the fair value of those assets at that date.

f) Use of estimates and judgments

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Revenue
- Estimated cost to complete projects
- Assets impairment
- Usufruct

- Investment Property
- Deferred tax
- Fair value of financial instruments

g) Changes in accounting policies

Changes in accounting policies are changes in the specific principles, bases, conventions, rules and practices applied by the Company in preparing and presenting financial statements. A change in accounting policy may be a voluntary change from one accepted policy to another in the Framework of the Egyptian Accounting Standards, where such changes result in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance or cash flows. The change in accounting policy is applied retrospectively as an adjustment to the beginning balance of retained earnings as a component of equity.

h) Bookkeeping

1- Functional and presentation currency

These consolidated financial statements are presented in Egyptian pound, which is the currency of the primary economic environment in which the Group operates (the functional currency). Foreign currency transactions are translated into Egyptian pound using the exchange rates prevailing at the date of the transaction.

2- Foreign currency transactions and balances

Monetary assets and liabilities in foreign currencies are retranslated at the end of each year at the exchange rates then prevailing. Foreign exchange gains and losses resulting from valuation differences are recognized in the income statement.

i) Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Group has one operating segment which is real estate of all types and other operating segments are not identified according to EAS 41.11

11. INVESTMENTS

a) Investments in subsidiaries

Subsidiaries are all companies that are controlled by the Company in that the Company owns more than half of the voting rights of a subsidiary, and Control is the power to govern the financial and operating policies of a subsidiary.

Investments in subsidiaries are stated at cost method. According to this method, investments recorded at cost- cost of acquisition- at the purchase order date less permanent impairment losses, if any, such impairment losses are recognized in income statement.

b) Investments in associates

Subsidiaries are all companies over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are stated at equity method, under the equity method the investments in associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amounts of the investments. As an exception, investments in associates are initially recognized at cost based on preparing the consolidated financial statements available for public use.

c) Financial investments available for sale

Available-for-sale financial assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are initially recognized at fair value plus directly attributable costs of acquisition or issue.

Gains and losses arising from changes in the fair value of available for sale financial investments are recognized as equity until the financial asset is derecognized, or impaired, at which time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

The fair value for available-for-sale investments is identified based on the quoted price of the exchange market at the balance sheet date, except for investments which are not quoted in a stock exchange in an active market and whose fair value cannot be measured reliably in this case they are measured at cost.

d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially recognize at fair value plus directly attributable costs of acquisition or issue, after initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method less impairment losses.

Gains and losses are recognized in income statement when the investments are derecognized or impaired, as well as through the amortization process.

e) Investments at fair value through profit and loss

Investments at fair value through profit and loss includes financial assets acquired principally for the purpose of selling or repurchasing it in the near term or are designated as such upon initial recognition. Investments at fair value through profit and loss initially recognize at fair value plus directly attributable costs of acquisition, after initial recognition investments at fair value through profit and loss are measured at fair value and any changes therein are recognized in income statement.

f) Investments properties

Investment property is property (land or a building or both) held to earn rentals or for capital appreciation or both, rather than for use in the ordinary course of business. Investment property includes lands held for sale on long term. Investment property does not include property acquired exclusively with a view to subsequent disposal in the near future or for development and resale. Investment property Investment property is initially measured at cost, including transaction costs, subsequent to initial recognition Investment property is measured at cost less accumulated depreciation and any impairment in value. Investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

12. PROJECTS UNDER CONSTRUCTION

Include the direct and indirect cost of land allocated to the Company for engaging in its main activity which had been allocated to build golf courses and hotels in Palm Hills Residential Compound in 6th of October City, as well infrastructure and construction costs of such projects. Projects under construction also include acquisition of commercial shops from an associate company.

13. FIXED ASSETS

Fixed assets are stated at historical cost –cost of acquisition-and to be depreciated by straight line method over the estimated useful life of the asset starting from the date of using the asset. Cost of acquisition does not include subsequent expenditure relating to routine maintenance or to ensure that a fixed asset maintains its original assessed standard of performance and useful life and should be charged to the income statement. Carrying amount of fixed assets after initial measurement is stated at historical cost less accumulated depreciation and cumulative impairment losses (if any). The estimated useful lives are as follows:

<u>Asset</u>	<u>Rate</u>
Buildings	%5
Tools & Equipment	% 25
Furniture & Fixtures	% 25 – %33
Vehicles	% 25

The carrying amount of a fixed asset should be derecognized on disposal or when no future economic benefits are expected to be earned from its disposal. The gain or loss on the disposal of an asset is the difference between the proceeds and the carrying amount and should be in profit and loss.

The residual value, the useful life and the depreciation method of an asset should be reviewed at least at each financial year-end.

An asset is impaired when its carrying amount exceeds its recoverable amount, At the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired and therefore the asset should be written down to its recoverable amount and the impairment loss shall be recognized in the income statement.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Any impairment loss is recognized in the income statement.

14. WORK IN PROCESS

Work in process includes direct and indirect cost of land allocated to the Company for it to carry out its main activity whether the Company started the

marketing activates for such lands or not, as well as construction and infrastructure costs and other indirect construction costs, that are related to contracted units, in which the required criteria of percentage of completion to be achieved has is not met yet to be recognized in income statement.

15. COMPLETED UNITS READY FOR SALE

Completed units ready for sale represent those units the Company started to build before or in conjunction with their marketing strategy and in accordance with the Master Plan.

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase. The cost is determined based on the outcome of multiplying the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

16. NOTES RECEIVABLE

Notes receivable represent the checks which have certain maturity dates which the Company received as bank guarantees for the contractual values of the contracted units. Notes receivable are initially recognized at fair value at the date of contract and subsequently measured at amortized cost based on discounted future cash flow using the effective interest method.

17. IMPAIRMENT

An asset is impaired when its carrying amount or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use while value in use is the present value of estimated cash flow expected to be derived from an asset or cash-generating unit. An impairment lost is recognized in income statement. If there is an indication that there is an increasing in recoverable amount for an asset that increase is a reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

18. PROVISION

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that a flow of economic benefits will be required to settle the obligation; and the amount can be estimated reliably. Provision is charged to income statement. The provisions balances are reviewed on a going basis at the reporting date to disclose the best estimate on the

current year, and reflect the present value of expenditures required to settle the obligation where the time value of money is material.

19. LAND PURCHASE LIABILITY

Land purchase liability represents the obligations which incurred for purchase lands at certain amount and on certain maturity dates. Land purchase liability is recognized initially at the fair value. Land purchase liability is subsequently stated at amortized cost using the effective interest method.

20. COMPLETION OF INFRASTRUCTURE LIABILITIES

Completion of infrastructure liabilities presents the difference between the estimated cost and actual cost of the infrastructure in respect of the contracted units and to be deducted from earned revenue from plot of land of the contacted units.

21. CAPITALIZATION OF BORROWING COST

Capitalization of borrowing costs represents interest and other costs that the Company incurs in connection with the borrowing of funds which directly attributable to the acquisition, construction or production of a qualifying asset and would have been avoided if the expenditure on the qualifying asset had not been made. Capitalization should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress while capitalization should be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Other indirect borrowing costs are recognized as expenses.

22. INCOME TAX

Taxation is provided in accordance with the Income Tax Law No. 91 of 2005.

(A) Current income tax

Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities.

(B) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

23. SHARE PREMIUM

Share premium is the amount received by a company over and above the face value of its shares. After deducting the issuance expenses attributable to the issuance, a part of share premium is credited to the legal reserve with limits of half of the Company's issued share capital, while the remaining balance of share premium is credited to special reserve, general assembly is responsible for determining the uses of such reserve, and it cannot be used for dividends.

24. EARNINGS PER SHARE

Basic EPS is calculated by dividing profit or loss from continuing operations and net profit or loss (after deducting employee share and board of directors remuneration – if any) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

25. RELATED PARTY TRANSACTIONS

Related party transactions present the direct and indirect relationship between the Company and its associates, subsidiaries or an interest in a joint venture, also the relationship between the Company and key management personnel or employees who exercise direct or indirect strong influence on the Company's decision making. A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

26. MATCHING OF REVENUES AND COSTS

The accounting treatment of signed contracts of villas and townhouses is based on the recognized revenue of the elements of the contact as follows:

a) Villas and townhouses

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting.

The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

Under the percentage of completion method, contract revenue is recognized as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs are usually recognised as an expense in profit or loss in the accounting periods in which the work to which they relate is performed.

Cost of revenues includes the direct and indirect cost of land and the cost of construction and infrastructure, in addition to the indirect costs of construction.

- **Completed units ready for sale**

Completed units ready for sale represent those units the Company started to build before or in conjunction with their marketing process and in accordance with the Master Plan. Completed units ready for sale (apartments of Palm Hills 7th Phase) are recognized at cost.

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase. The cost is determined based on the outcome of multiplying of the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

- **Provision of completion**

When the estimated contractual costs exceeded or it is probable that will exceed the contractual values, in such cases, any expected excess is recognized as an expense immediately.

27. REVENUE RECOGNITION

(A) Sales revenues

1- Villas and townhouses

Revenue from the Company's main activity is recognized in the income statement over time based on percentage of completion for each contracted unit.

2- Completed units ready for sale

Completed units ready for sale represent the contractual values of contracted units Revenue is recognized in income statement at the point in time at which the entity transfers control of the asset to the customer

(B) Investments in associates and subsidiaries

Revenue from investments in associates recognized based on equity method and in accordance with the company's share of the net profit or loss of the associate which is determined on the basis of current ownership interests, in addition to changes in the associate's other comprehensive income that have not been included in profit or loss.

Revenues from investments in subsidiaries are recognized based on cost method on the date the Company's right to receive such revenues is established or actually received which is more determinable.

(C) Gain (loss) on sale of investments in securities

Gains (losses) from sale of investments in securities are recognized when a sale is consummated and the Company has transferred to the buyer the usual risks and rewards of ownership. Such gains (losses) are measured by the difference between cost of acquisition and selling price less selling commission and expenses and to be recognized in profit or loss.

Revenues resulting from equity method application and revenues from cash dividends are eliminated in preparing the consolidated income statement.

(D) Revenues from investment property

Revenues from investment in real estate are recognized when a sale is consummated and the Company has in principle transferred to the buyer the usual risks of ownership. Such revenues are measured by the difference between cost of acquisition and selling price.

(E) Revenues from mutual funds

Revenues from mutual fund are measured by the difference between cost of acquisition and selling price. Such revenues are recognized in profit or loss.

(F) Interest income

Interest income is recognized in the profit or loss as it accrues using the effective interest rate method.

28. CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

29. INVESTMENTS IN ASSOCIATES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	57 900 562	58 614 299
Villamora for Real Estate Development Company S.A.E	20 366 400	20 366 400
Coldwell Banker -Palm Hills for Real Estate S.A.E	245 000	245 000
Balance as at 31 December 2016	<u><u>78 511 962</u></u>	<u><u>79 225 699</u></u>

30. INVESTMENT PROPERTY

	<u>Acre</u>	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
<u>Lands</u>			
Palm Hills Development Company S.A.E	1759	212 027 278	212 027 278
Palm Hills Middle East Company for Real Estate Investment S.A.E *	2434	529 111 484	529 111 484
Gamsha for Tourist Development S.A.E	22.679	113 526 025	113 526 025
	<u>4215.679</u>	<u>854 664 787</u>	<u>854 664 787</u>
<u>Buildings</u>			
Commercial shops - Palm Hills Resort			
Cost of shops of 88 Street Mall.		35 008 453	35 008 454
Accumulated depreciation		<u>(1 604 554)</u>	<u>(1 166 949)</u>
Net cost of shops		<u>33 403 899</u>	<u>33 841 505</u>
Balance as at 31 December 2016		<u><u>888 068 686</u></u>	<u><u>888 506 292</u></u>

31. HELD-TO-MATURITY INVESTMENTS

	<u>Face value</u> <u>EGP</u>	<u>Unrecognized</u> <u>investment</u> <u>return</u> <u>EGP</u>	<u>Average</u> <u>return</u> <u>rate</u> <u>%</u>	<u>Purchase</u> <u>price</u> <u>EGP</u>
Palm Hills Development	54 749 785	4 700 742	%14	50 049 043
Palm Hills Middle East Company for Real Estate Investment	44 000 000	4 692 010	%14	39 307 990
East New Cairo for Real Estate Development	29 475 000	2 594 854	%14	26 880 146
Gawda for Trade Services	4 175 000	546 763	%14	3 628 237
Middle East Company for Real Estate and Touristic Investment	9 100 000	962 497	%14	8 137 503
Royal Gardens for Real Estate Investment Company	39 100 000	4 561 989	%14	34 538 011
New Cairo for Real Estate Development	21 725 000	633 340	%14	21 091 660
Rakeen Egypt for Real Estate Investment	4 325 000	1 049 788	%14	3 275 212
Saudi Urban Development Company	25 350 000	2 545 815	%14	22 804 185
Balance as at 31 March 2017	<u><u>231 999 785</u></u>	<u><u>22 287 797</u></u>		<u><u>209 711 987</u></u>

32. NOTES RECEIVABLE

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Short term notes receivable	2 955 941 903	3 415 881 491
Deduct: Notes receivable of joint venture	51 528 905	53 162 030
Deduct: Unamortized discount	44 072 441	67 191 258
	<u>2 860 340 557</u>	<u>3 295 528 203</u>
Long term notes receivable	9 289 051 040	7 679 774 091
Deduct: Notes receivable of joint venture	241 332 267	242 524 406
Deduct: unamortized discount	95 720 118	137 209 991
	<u>8 951 998 655</u>	<u>7 300 039 694</u>
Balance as at 31 March 2017	<u><u>11 812 339 212</u></u>	<u><u>10 595 567 897</u></u>

According to the Central Bank of Egypt's Board of Directors No.1906 of 2008 concerning the regulations and rules governing banking finance to real estate development companies operating in the field of housing units and construction for the purpose of their sale, Bank cannot discount trade and notes receivable, unless contracted units be delivered to customers.

33. PROJECTS UNDER CONSTRUCTION

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Land	340 104 665	340 104 665
Construction of Golf Club and Hotel in 6th of October City	495 317 793	495 317 793
Constructions, Consultation and designs fees	7 699 203	10 126 782
Mall (8)	32 217 504	32 217 502
Balance as at 31 March 2017	<u><u>875 339 165</u></u>	<u><u>877 766 742</u></u>

34. FIXED ASSETS

Fixed assets (net) balance as at 31 March 2017 amounted to EGP 348 887 262 represented as follows:

	<u>Cost as of January 1,2017</u>	<u>Additions during the period</u>	<u>Cost as of March 31,2017</u>	<u>Accumulated depreciation as of January 1, 2017</u>	<u>Depreciation for the period</u>	<u>Accumulated depreciation as of March 31,2017</u>	<u>Net book value as of March 31,2017</u>	<u>Net book value as of December 31,2016</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	18 920 662	--	--	--	18 920 662	18 920 662
Buildings	509 774 162	--	509 774 162	195 468 196	3 795 915	199 264 111	310 510 051	314 305 966
Machinery & equipment	138 804 890	1 700 153	140 505 043	97 121 702	2 596 929	99 718 631	40 786 412	41 683 188
Vehicles	17 194 882	3 451 840	20 646 722	14 669 685	270 576	14 940 261	5 706 461	2 525 197
Computer equipment	54 273 849	1 793 438	56 067 287	32 448 079	2 519 715	34 967 794	21 099 493	21 825 770
Leasehold improvements	17 701 066	--	17 701 066	17 092 507	57 377	17 149 884	551 182	608 559
Furniture	60 638 724	657 249	61 295 973	41 860 174	1 083 311	42 943 485	18 352 488	18 778 550
Total cost	817 308 235	7 602 680	824 910 915	398 660 343	10 323 823	408 984 166	415 926 749	418 647 892
Impairment of Macor							(2 500 000)	(2 500 000)
Impairment of assets							(64 539 487)	(64 539 487)
Balance as at 31 March 2017							348 887 262	351 608 405

- Fixed assets depreciation for the year ended 31 March 2017 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	2 142 362
Administrative depreciation (income statement)	4 343 765
Depreciation expense of hotel operations	1 497 558
Depreciation expense of Palm Hills Club's assets - club's operating statement	2 358 138
	10 323 823

Fixed assets (net) balance as at 31 December 2016 amounted to EGP 351 608 405 represented as follows:

	<u>Cost as of January 1,2016</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Cost as of December 31,2016</u>	<u>Accumulated depreciation as of January 1, 2016</u>	<u>Depreciation for the year</u>	<u>Accumulated depreciation of disposals</u>	<u>Accumulated depreciation as of December 31,2016</u>	<u>Net book value as of December 31,2016</u>	<u>Net book value as of December 31,2015</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662	18 920 662
Buildings	509 623 460	150 702	--	509 774 162	179 792 340	15 675 856	--	195 468 196	314 305 966	335 129 973
Machinery & equipment	114 730 811	24 098 820	24 741	138 804 890	89 420 963	7 725 480	24 741	97 121 702	41 683 188	18 252 396
Vehicles	15 623 582	1 676 300	105 000	17 194 882	14 297 422	477 263	105 000	14 669 685	2 525 197	833 033
Computer equipment	37 849 806	16 808 839	384 796	54 273 849	26 190 974	6 630 757	373 652	32 448 079	21 825 770	5 673 764
Leasehold improvements	17 686 292	14 774	--	17 701 066	16 851 733	240 774	--	17 092 507	608 559	962 162
Furniture	52 304 194	8 468 944	134 414	60 638 724	38 523 267	3 467 507	130 600	41 860 174	18 778 550	5 045 115
Total cost	<u>766 738 807</u>	<u>51 218 379</u>	<u>648 951</u>	<u>817 308 235</u>	<u>365 076 699</u>	<u>34 217 637</u>	<u>633 993</u>	<u>398 660 343</u>	<u>418 647 892</u>	<u>384 817 105</u>
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
Balance as at 31 December 2016									<u>351 608 405</u>	<u>334 622 621</u>

- Fixed assets depreciation for the year ended 31 December 2016 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	6 493 564
Administrative depreciation (income statement)	12 824 256
Depreciation expense of hotel operations	6 245 862
Depreciation expense of Palm Hills Club's assets - club's operating statement	8 724 146
	<u>34 287 828</u>

- Capital Gains for the year ended 31 December 2016 amounted to EGP 32 642 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		47 600
Deduct:		
Cost of assets sold	648 951	
Accumulated depreciation of assets sold	633 993	
Carrying amount of assets sold		14 958
		<u>32 642</u>

35. WORK IN PROCESS

	<u>Cost of sales recognized in income statement</u>				
	<u>Total as at 31 March 2017</u> <u>EGP</u>	<u>As at 31 December 2016</u> <u>EGP</u>	<u>For the period ended 31 March 2017</u> <u>EGP</u>	<u>31 March 2017</u> <u>EGP</u>	<u>31 December 2016</u> <u>EGP</u>
Land acquisition cost	6 940 872 167	2 822 338 719	149 186 051	3 969 347 397	1 998 407 897
Cost of construction	12 838 506 304	7 342 632 598	897 327 577	4 598 546 130	4 397 216 503
Completed units ready for sale	<u>187 907 169</u>	<u>172 785 614</u>	<u>12 000 000</u>	<u>3 121 555</u>	<u>15 121 555</u>
Balance as at 31 March 2017	<u>19 967 285 640</u>	<u>10 337 756 931</u>	<u>1 058 513 628</u>	<u>8 571 015 082</u>	<u>6 410 745 955</u>

* Borrowing cost capitalized on work in process for the year ended 31 March 2017 amounted to EGP 138 501 784 The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 11.56%.

36. CASH AND CASH EQUIVALENTS

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Banks-current accounts- EGP	272 351 398	405 401 961
Banks-current accounts- foreign currency	10 598 455	20 135 726
Banks – Deposits- EGP	407 294 741	350 101 394
Cash on hand- EGP	57 312 764	32 877 489
Balance as at 31 March 2016	<u>747 557 358</u>	<u>808 516 570</u>

37. ACCOUNTS RECEIVABLE

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Palm Hills Developments Company customers	247 805 009	248 358 902
Palm Hills Middle East Company for Real Estate Investment customers	147 988 058	134 409 736
Royal Gardens for Real Estate Investment Company customers	19 163 700	23 854 680
New Cairo for Real Estate Developments customers	2 117 469	2 432 862
Gawda for Trade Services customers	4 135 013	4 906 414
Saudi Urban Development Company customers	48 091 789	50 229 087
Rakeen Egypt for Real Estate Investment customers	103 618 441	115 164 240
East New Cairo for Real Estate Development customers	101 237 009	101 801 380
Middle East Company for Real Estate and Touristic Investment customers	24 209 119	28 179 947
United Engineering for Construction S.A.E	5 259 239	3 800 381
Palm Real Estate Development S.A.E	43 882 482	43 879 972
Palm For Investment And Real Estate Development	79 112 140	39 112
Palm for Clubs Management	20 000	--
Balance as at 31 March 2017	<u>826 639 469</u>	<u>757 056 711</u>

38. DEBTORS AND OTHER DEBIT BALANCES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Investments debtors	4 861 455	5 011 455
Deposits with others	51 371 520	5 641 802
Prepaid expenses	36 889 233	18 833 154
Loans to employee & custodies	18 638 615	8 315 790
Due from City for Real Estate Development Company	5 522 741	5 522 741
Advance payments for land acquisition	113 651 180	118 982 019
Residents' Association	38 851 488	32 050 330
Other debit balances	31 102 722	24 119 386
Balance as at 31 March 2017	<u>300 888 953</u>	<u>218 476 677</u>

39. GUARANTEED PAYMENTS – JOINT ARRANGEMENT

This item represents payments made to partners in accordance with the contracts in this regard as part of their share in the contractual values of contracted implementation units or net operating profit of these projects, to be settled in the form of quotas as entitled as soon as marketing procedures are commenced and the sale of these units planned for the implementation in accordance with the Master Plan as follows:

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Palm Hills for Tourist & Real Estate Development	48 331 289	40 000 000
Balance as at 31 March 2017	48 331 289	40 000 000

40. DUE FROM RELATED PARTIES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Al Ethadia for Real Estate S.A.E	189 213 890	185 563 424
Al Naeem for investments	48 755 256	48 755 256
Coldwell Banker -Palm Hills for Real Estate S.A.E	20 480	20 480
Novotel Cairo 6th Of October S.A.E	3 108 728	2 510 272
Palm Hills Education S.A.E	184 125	184 125
Mercure Ismailia Hotel	6 548 522	6 821 963
Palm Hills – Saudi	269 320	269 320
Balance as at 31 March 2017	248 100 321	244 124 840

41. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION

	<u>Nature of</u> <u>transaction</u>	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Villamora for Real Estate Development Company S.A.E	Acquisition	3 900 000	3 900 000
Gamsha for Tourist Development S.A.E	Acquisition	4 010 000	4 010 000
Al Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
Balance as at 31 March 2017		184 335 633	184 335 633

42. BANKS- CREDIT BALANCES

	<u>31 March</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	139 201 262	40 248 216
Banks-foreign currencies	2 006 867	1 928 271
Balance as at 31 March 2017	<u><u>141 208 129</u></u>	<u><u>42 176 487</u></u>

43. BANK OVERDRAFT

	<u>31 March</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	178 309 031	79 410 353
Balance as at 31 March 2017	<u><u>178 309 031</u></u>	<u><u>79 410 353</u></u>

44. ADVANCES FROM CUSTOMERS

	<u>Down</u>	<u>Advances for</u>	<u>31 March</u>
	<u>payments</u>	<u>contracting</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	27 609 396	2 440 031 356	2 467 640 752
Palm Hills Middle East Company for Real Estate Investment	4 175 230	1 344 315 459	1 348 490 689
Royal Gardens for Real Estate Investment Company	--	35 360 512	35 360 512
New Cairo for Real Estate Developments	--	3 177 438	3 177 438
Middle East Company for Real Estate and Touristic Investment	1 017 625	64 577 942	65 595 567
Gawda for Trade Services	--	251 212	251 212
Rakeen Egypt for Real Estate Investment	26 519 956	1 212 607 396	1 239 127 352
Saudi Urban Development Company	3 017 710	831 359 621	834 377 331
United Engineering for Construction	81 184 371	--	81 184 371
East New Cairo for Real Estate Development	1 979 983	655 819 211	657 799 194
Palm for Real Estate Development S.A.E			
The company's share in Capital Gardens Compound)	2 941 839	711 421 229	714 363 067
Palm for Investment & Real Estate Development	71 478 823	1 302 007 938	1 373 486 761
Palm for Clubs Management	128 994	--	128 994
Balance as at 31 March 2017	<u><u>220 053 927</u></u>	<u><u>8 600 929 314</u></u>	<u><u>8 820 983 241</u></u>

45. LAND PURCHASE LIABILITIES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Land purchase liabilities - short term	70 130 286	60 651 029
Land purchase liabilities - long term	154 726 644	169 799 525
Balance as at 31 March 2017	224 856 930	230 450 554

46. DUE TO RELATED PARTIES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
El Mansour & El Maghraby Investment and Development Villamora for Real Estate Development Company S.A.E	80 112 385	92 112 385
Due to shareholders	19 347 824	19 347 824
Balance as at 31 March 2017	120 401 003	131 333 859

47. INVESTMENT PURCHASE LIABILITIES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Shareholders of Saudi Urban Development Company	44 256 746	44 256 746
Balance as at 31 March 2017	44 256 746	44 256 746

48. NOTES PAYABLE

A) Short Term Notes Payable

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	970 430 417	615 260 497
Deduct:- Delayed installments interest	407 036 079	93 486 582
	563 304 338	521 773 915
Add:- Other notes payable	624 220 478	554 818 902
Deduct:- Unamortized discount	180 795 550	102 290 957
Balance as at 31 March 2017	1 006 729 266	974 301 860

B) Long Term Notes Payable

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	2 295 327 229	28 991 768
Deduct:- Delayed installments interest	891 128 147	5 882 861
	1 404 199 082	23 108 907
Add:- Other notes payable	1 092 828 435	1 106 203 723
Deduct:- Delayed installments interest	420 252 919	516 612 039
Balance as at 31 March 2017	2 076 774 598	612 700 591

49. LOANS This item is represented as follows:

	<u>31 March 2017</u>		<u>31 December 2016</u>	
	<u>Short term</u>	<u>long term</u>	<u>Short term</u>	<u>long term</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Misr Bank</u>				
Revolving medium term loan with Misr Bank in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment.	18 750 000	722 041 647	18 750 000	721 249 980
<u>Arab African International Bank (AAIB)</u>				
A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	35 780 000	30 707 391	35 621 000	36 848 117
<u>Arab African International Bank (AAIB)</u>				
A medium term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion to finance projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.	180 530 000	2 047 377 811	230 400 000	2 038 657 312
<u>Arab African International Bank (AAIB)</u>				
A medium term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of East New Cairo for Real Estate Development secured by the assignment of projects' cash flow and bears an interest rate of 2.75% above deposit corridor rate and is repayable on quarterly installments from 30 September 2013 to September 2018.	--	92 484 252	32 142 857	160 714 286
<u>Abu Dhabi Islamic Bank (ADIB)</u>				
Mudaraba Contract with Abu Dhabi Islamic Bank (ADIB) amounted to EGP 96 403 044 for 3 years for Saudi Urban Development Company.	24 100 761	--	24 100 761	--
<u>Arab Bank</u>				
A loan secured by notes receivable of delivered units	--	244 551 005	200 000 000	--
<u>National Bank of Egypt</u>				
Medium Term Loan of up to EGP852 million with the purpose of partially financing the recently acquired 190 feddan.	--	329 185 067	--	--
Balance as at 31 March 2017	259 160 762	3 466 347 173	541 014 619	2 957 469 695

50. CREDITORS AND OTHER CREDIT BALANCES

	<u>31 March</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Other credit balances	260 327 968	210 058 404
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	226 737 143	170 605 682
Accrued expenses	36 327 840	46 091 915
Balance as at 31 March 2017	618 892 951	522 256 001

51. CAPITAL

The Company's authorized capital amounts EGP 6 000 000 000. The Company's issued and paid in capital amounts to EGP 4 617 899 452 representing 2 308 949 726 shares with a par value of EGP 2 per share as follows:

<u>Issued capital</u>	<u>EGP</u>
The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	<u>121 500 000</u>
On 20 December 2006, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 185,500,000 to be after such increasing amounted EGP 307,000,000 representing 3,070,000 shares with a par value of EGP 100 per share.	<u>307 000 000</u>
On 13 May 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 93,000,000 to be after such increasing amounted EGP 400,000,000 representing 4,000,000 shares with a par value of EGP 100 per share.	<u>400 000 000</u>
On 15 July 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 600,000,000 representing 6,000,000 shares with a par value of EGP 100 per share.	<u>600 000 000</u>
On 6 November 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 800,000,000 representing 8,000,000 shares with a par value of EGP 100 per share. The Company's Extra-ordinary General Assembly Meeting held in March 2009 approved a 50-for-1 stock split and the par value of the Company's share reduced to EGP 2 per share.	<u>800 000 000</u>
On 27 March 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 32,000,000 to be after such increasing amounted EGP 832,000,000 representing 416,000,000 shares with a par value of EGP 2 per share.	<u>832 000 000</u>
On 8 May 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 99,840,000 to be after such increasing amounted EGP 931,840,000 representing 465,920,000 shares with a par value of EGP 2 per share.	<u>931 840 000</u>
On 30 June 2009, the Company's Board of Directors approved the issued Capital increase amounting to EGP 465,880,000 to be after such increasing amounted EGP 1,397,760,000 representing 698,880,000 shares with a par value of EGP 2 per share.	<u>1 397 760 000</u>
On 28 January 2010, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 698,880,000 to be after such increasing amounted EGP 2,096,640,000 representing 1,048,320,000 shares with a par value of EGP 2 per share.	<u>2 096 640 000</u>
On 22 September 2013, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 600,000,000 to be after such increasing amounted EGP 2,696,640,000 representing 1,348,320,000 shares with a par value of EGP 2 per share.	<u>2 696 640 000</u>
On 8 February 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 1 648 000 000 to be after such increasing amounted EGP 4 344 640 000 representing 2 172 320 000 shares with a par value of EGP 2 per share.	<u>4 344 640 000</u>
On 29 November 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 198 999 739 shares with a par value of EGP 2 per share.	<u>4 397 999 478</u>
On 13 March 2016, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 308 949 726 shares with a par value of EGP 2 per share.	<u>4 617 899 452</u>

52. OTHER LONG TERM LIABILITIES- RESIDENTS' ASSOCIATION

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Law No.119 for 2008. Other long term liabilities balance as at 31 March 2017 amounted to EGP **820 437 809**.

53. RESERVES

a) Legal reserve

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>
Beginning balance	630 142 410	585 103 921
Transferred from the prior year's profit	<u>49 573 307</u>	<u>45 038 489</u>
Balance as at 31 March 2017	<u>679 715 717</u>	<u>630 142 410</u>

b) Special reserve

Special reserve is used to meet any expected impairment of some investment properties according to the Company's Ordinary General Assembly Meeting on 30 September 2012 as a deduction from retained earnings.

54. REVENUES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 March</u> <u>2016</u> <u>EGP</u>
Revenues from building and development activities	1 513 374 012	1 039 503 140
Sale of completed units ready for sale	15 332 758	--
Revenues from the construction activity	2 548 001	6 447 826
Revenues from hospitality activities	14 153 580	4 160 173
Other revenues	18 954 572	12 403 021
Revenues from the commercial activity	966 495	--
Revenues from Palm Hills Club	23 631 173	17 095 884
Total as at 31 March 2017	<u>1 588 960 591</u>	<u>1 079 610 044</u>

55. COST OF REVENUES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 March</u> <u>2016</u> <u>EGP</u>
Cost of building and development activities	1 046 513 628	741 352 641
Cost of completed units ready for sale	12 000 000	--
Depreciation of Fixed Assets – hospitality operations	1 479 558	1 484 403
Cost of the construction activity	2 837 242	4 914 644
Cost of the commercial activity	5 205 359	--
Operation cost -Palm Hills Club	2 358 138	--
Total as at 31 March 2017	1 070 393 925	747 751 688

56. General Administrative, Selling And Marketing Expenses

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 March</u> <u>2016</u> <u>EGP</u>
Wages and salaries	87 982 033	49 493 138
Selling and marketing expenses	28 909 983	31 023 714
Communications expenses	559 190	386 560
Utilities	4 486 798	3 217 494
Professional and Government fees	13 992 271	14 398 145
Maintenance and Insurance	13 349 259	4 337 564
Travel and transportation	932 120	636 259
Bank charges	5 858 121	317 511
Other administrative expenses	8 187 715	13 544 474
Total as at 31 March 2017	164 257 490	117 354 859

57. GAINS ON INVESTMENTS IN FAIR VALUE THROUGH PROFIT OR LOSS

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 March</u> <u>2016</u> <u>EGP</u>
Gains on sale of mutual funds certificates	1 544 071	1 415 201
Total as at 31 March 2017	1 544 071	1 415 201

58. OTHER REVENUES

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 March</u> <u>2016</u> <u>EGP</u>
E-compound revenues	3 882 676	4 215 820
Miscellaneous revenues	8 520 345	14 738 752
Total as at 31 March 2017	12 403 021	18 954 572

59. EARNINGS PER SHARE

	<u>31 March</u> <u>2017</u> <u>EGP</u>	<u>31 March</u> <u>2016</u> <u>EGP</u>
Net profit for the year	212 308 323	105 427 178
Deduct:	30 708 707	15 286 941
estimated remuneration of the board of directors and employees' profit-sharing		
Weighted average number of shares	2 308 949 726	2 308 949 726
Earnings per share	0.079	0.039

60. TRANSACTION WITH RELATED PARTIES

Summary of significant transactions concluded and the resulting balances at the balance sheet date were as follows: -

a- Transaction with related parties

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	369 376 573
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	7 650 955
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	26 274 072
Gawda for Trade Services S.A.E	A subsidiary	Finance	4 785 791
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	20 683 460
Saudi Urban Development Company S.A.E	A subsidiary	Finance	3 644 118
Al Ethadia for Real Estate S.A.E	A Related party	Finance	14 038 888
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	1 261 555 514
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	37 957 649
Al Naeem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	83 902
United Engineering for Construction S.A.E	A subsidiary	Finance	10 301 753
El Mansour & El Maghraby Investment and Development	A main shareholder	Finance	38 000 000
Palm for Real Estate Development	A subsidiary	Finance	26 699 954
Palm for Investment & Real Estate Development	A subsidiary	Finance	92 176 849
Palm Hills Resorts	A subsidiary	Finance	29 500
Palm for Club Management	A subsidiary	Finance	37 533 003

b- Resulting balances from these transactions

<u>Party</u>	<u>Item as in balance sheet</u>	<u>31 March 2017 EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due from related parties	899 505 969
Royal Gardens for Real Estate Investment Company S.A.E	Due from related parties	2 021 442
Rakeen Egypt for Real Estate Investment S.A.E	Due from related parties	198 193 654
Saudi Urban Development Company S.A.E	Due from related parties	185 613 408
Al Ethadia for Real Estate S.A.E	Due from related parties	172 909 024
East New Cairo for Real Estate Development S.A.E	Due from related parties	369 968 187
Palm October for Hotels S.A.E	Due from related parties	11 387 218
New Cairo for Real Estate Developments S.A.E	Due from related parties	15 152 038
Palm for Real Estate Development S.A.E	Due from related parties	3 431 719
Palm Hills Properties	Due from related parties	30 500
Palm Hills Development of Tourism and Real Estate	Due from related parties	40 203 454
Palm Hills Resorts	Due from related parties	177 649
Palm Hills Education S.A.E	Due from related parties	184 125

Coldwell Banker Palm Hills for Real Estate	Due from related parties	20 480
Palm Hills for Investment Tourism	Due from related parties	62 481 918
Palm Hills – Saudi	Due from related parties	269 320
Palm for Urban Development	Due from related parties	1 000
Palm Hills Hospitality S.A.E	Due from related parties	100 226 204
Palm For Investment And Real Estate Development	Due from related parties	132 241 421
Gemsha for Tourist Development S.A.E	Due from related parties	68 519 692
Nile Palm Al-Naeem for Real Estate Development S.A.E	Due to related parties	(44 806 087)
Gawda for Trade Services S.A.E	Due to related parties	(47 458 558)
Al Naeem for Hotels and Touristic Villages S.A.E	Due to related parties	(127 446 572)
Middle East Company for Real Estate and Touristic Investment S.A.E	Due to related parties	(120 448 465)
United Engineering for Construction S.A.E	Due to related parties	(11 181 500)
El Mansour & El Maghraby Investment and Development	Due to related parties	(37 379 578)
Palm Gemsha for Hotels S.A.E	Due to related parties	(84 035)
Palm North Coast Hotels S.A.E	Due to related parties	(87 227)
Palm for Club Management	Due to related parties	<u>(19 408 930)</u>

61. TAX STATUS

The Company was exempted from income tax for ten years to end on 31 December 2015 while several companies within the group are subject to corporate tax and others are exempted.

a) Corporate tax

- The Company started its operations on 13 March 2005
- The Company is exempted from income tax for ten years to end on 31 December 2015
- Years 2005 to 2009
These years have been inspected and settled with the Tax Authority.
- Years 2010 to 2012
These years are currently being inspected.
- Years 2013 to 2015
Tax returns were provided for this period.

b) Payroll tax

- From inception till 2010
This period has been inspected and differences were paid.
- Years 2011 to 2016
The company pays the deducted income tax of the employees on regularly basis within the legal dates.

c) Stamp tax

- The company is subject to the Law No. 111 of 1980 and its amendments and executive regulations.
- From inception till 31/7/2006
The company was notified by tax forms and the taxes due were paid according to / as per these forms.
- From 1/8/2006 till 31/12/2009
This period has been inspected and the resulting disputes have not been settled.
- Years 2010 to 2016
The company pays the taxes due on regularly basis within the legal dates.

62. FINANCIAL INSTRUMENTS & FAIR VALUE

- Financial instruments

The financial instruments of the Company are represented in the financial assets and liabilities. The Company's financial assets include cash on hand and at banks, notes receivable, checks under collection and debtors and other debit balances, financial liabilities include bank overdraft, advances from customers and creditors & other credit balances.

- Financial instruments fair value

The financial instruments of the Company are represented in the financial assets and liabilities. The Company's financial assets include cash on hand and at banks, notes receivable, checks under collection and debtors & other debit balances, financial liabilities include bank overdraft, advances from customers and creditors & other credit balances.

63. RISK MANAGEMENT

- Interest rate risk

The interest risk is represented in the interest rates changes and its affect on the current and future financial liabilities, represented in interests and commissions on bank overdraft, which may have a negative impact on the results of operations. The Company uses long-term financing sources with no interest represented in advances from customers.

- Credit risk

Credit risk is represented in the inability of credit customers to pay their dues. The Company has no significant consternation of credit risk, it has policies to ensure that contract are made with customers with an appropriate credit history, also according contracts concluded with the Company's customers, the ownership of the sold units is not transferred unless the full payments for these units are made.

64. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

On 29 November 2015 The Company's Extraordinary General Assembly Meeting approved issued capital increase out of retained earnings balance as at 31 December 2014 of EGP 53 359 478 for an employee stock ownership plan (ESOP) representing 28 013 725 shares

Only 3 885 453 shares have been exercised and the Company re-measured the fair value of granted options and recognized EGP 32 198 484 in the ESOP re-measurement reserve, therefore the fair value of the granted options amounted EGP 78 175 601 as at 31 March 2017 and these granted options have not been exercised yet.